

Message Text

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ACTION EB-07

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E.O. 11652 N/A

TAGS: EAIR, IT

SUBJ: CIVAIR - ALITALIA SEEKS GOI FINANCIAL ASSISTANCE

1. AT OCTOBER 24, 1975 STOCKHOLDERS MEETING. ALITALIA DISCLOSED THAT OPERATING LOSSES DURING FIRST HALF OF 1975 TOTALED 21.7 BILLION LIRE (DLR 32.4 MILLION AT LIRE 670 EQUAL DLR US 1) DESPITE SUBSTANTIAL INCREASE IN TRAFFIC REVENUE (HIGHER FARES RATHER THAN MORE PASSENGERS/CARGO). RAPIDLY RISING EXPENDITURES (PERSONNEL, UP 24 PERCENT; ADVERTISING, UP 22 PERCENT; USER CHARGES, UP 35 PERCENT, FUEL COSTS, UP 13 PERCENT), AS COMPARED TO THE SAME PERIOD IN 1974, OUTPACED THE GAIN IN INCOME.

2. STOCKHOLDERS RECOMMENDED NOT RPT NOT TAKING 8 BILLION LIRE (DLR 11.9 MILLION) IN DEPRECIATION IN 1975, THUS REDUCING THE LOSS TO 13.7 BILLION LIRE (DLR 20.4 MILLION). BY NOT TAKING DEPRECIATION, ALITALIA CAN TEMPORARILY AVOID A SECOND WRITE-DOWN OF CAPITAL, WHICH UNDER ITALIAN LAW IS REQUIRED WHENEVER ACCUMULATED LOSSES EXCEED ONE-THIRD OF THE REGISTERED CAPITAL DURING 1974 ALITALIA'S SHARES WERE WRITTEN DOWN FROM 50 BILLION LIRE (DLR 74.6 MILLION) TO 2.5 BILLION LIRE (DLR 3.7 MILLION) BUT NEW SHARES WRE THEN ISSUED TO BRING THE REGISTERED CAPITAL BACK UP TO 50 BILLION LIRE.

3. ALITALIA HAS REQUESTED 200 BILLION LIRE (DLR 298.5 MILLION) LOAN ON FAVORABLE TERMS FROM GOI. MINISTERS TRANSPORT AND CIVIL AVIATION MARTINELLI AND STATE HOLDINGS BISAGLIA REPORTEDLY SUPPORT ALITALIA'S REQUEST. KNOWLEDGABLE SOURCES EXPECT SUCH
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LOAN TO BE APPROVED BY END OF THE YEAR.

4. COMMENT. PILOTS STRIKE, WHICH BEGAN IN EARNEST IN JULY
AND STILL CONTINUES, MAY CAUSE SECOND-HALF 1975 LOSSES TO
EXCEED THOSE RECORDED DURING FIRST SIX MONTHS.CALINGAERT

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